

Testimony Submitted before the Appropriations Committee
Friday

February 14, 2014

Re: Governor's Proposed FY 15 Budget Adjustments

Good afternoon Senator Bye, Representative Walker and members of the Appropriations Committee. My name is Marghie Giuliano. I am a pharmacist and Executive Vice President of the Connecticut Pharmacists Association, a professional organization representing close to 1,000 pharmacists in the state.

I want to take the opportunity to thank the Governor for his leadership in recognizing that Connecticut's pharmacies cannot continue to shoulder the responsibility of subsidizing the Medicaid program in our State. We are willing to do our share but reimbursement issues continue to affect our existence.

So while the Governor's budget does not have any cuts to pharmacy, I would like to make the committee aware of actions by the federal government -Centers Medicaid and Medicare Services (CMS) - that will impact pharmacies **later this year - after the session ends.**

There are two issues at hand. The first is the fact that CMS has not updated the Federal Upper Limit (FUL) list in close to 10 years. This list of generics defines the maximum amount that the federal government will reimburse the state for these medications.

Since January, the cost of several critical generic medications has sky-rocketed. Pharmacies are buying some medications at a **cost** of over \$100 and getting reimbursed by the state at \$4.00 and change. I want to be clear with you...I am not talking about the dispensing fee. This is about the "best price" the pharmacy can purchase the drug for and what CMS will reimburse. We have had discussions with DSS and the department is reviewing a list of medications that I have shared with them. DSS is stating that they cannot reimburse pharmacies more than the FUL allows for. I disagree with that statement. The state can pay the pharmacies a reasonable reimbursement by law. The state will only receive the federal match on the price listed by CMS on the FUL. In other words, the state would rightly have to bear the cost difference instead of asking the pharmacies to do so. Please be aware of the potential dilemma that possibly could result: many of these medications will become "unavailable" to Medicaid patients if reimbursement is not addressed. Pharmacies, big or small, simply cannot afford to lose \$85-90 on a prescription. **No other small businesses can do this, nor should pharmacies be expected to.**

The second issue is that CMS will finally transition pharmacy reimbursements to a reimbursement based on Actual Acquisition Cost (AAC). This has been under consideration for a few years and the state plans on implementation in July, 2014. It is my understanding that the state is working with HP to run an analysis on savings to the state. CMS has also stated for the past few years that they recognize that **pharmacies need to cover their costs to maintain access for their patients and they would not approve a state plan amendment that did not reimburse pharmacies adequately.**

By transitioning to an Actual or Average Acquisition Cost (AAC) for product reimbursement, pharmacies will have no room on the cost side to cover their costs of dispensing. That is why **CMS insists** that the dispensing fee must be re-visited. Pharmacies cannot be reimbursed at AAC plus \$1.40. The state must determine what the cost of dispensing is in the State of Connecticut. **An independent study was conducted in 2007 by Grant Thornton, one of the world's leading organizations of independent audit, tax and advisory organizations, that reported the actual cost of dispensing for a Medicaid patient in the State of Connecticut was \$12.34. That figure is now 7 years old.**

We urge the State to either use the Grant Thornton study as a starting point and consider inflation over the past 7 years to determine what the new dispensing fee should be, or the state should conduct their own study. This of course would come at a cost to the state.

Connecticut's independent pharmacies have been struggling to keep their businesses open to continue to serve the state's vulnerable Medicaid populations. They have reduced staff, reduced hours, reduced their inventories, reduced charitable contributions to their communities and have implemented additional efficiencies in an attempt to stay afloat. This is certainly in contrast to the jobs building initiative that is being promoted by the Governor.

We urge the legislature to be proactive on this issue. It is imperative that you communicate with DSS on what their plans are for implementation of this new reimbursement. A state plan amendment will need to be filed. The state should be doing that soon. DSS should be working with all groups in determining what a true dispensing fee should be.

In conclusion, I want to thank you for your time in listening. I hope you hear our message and understand the multi-faceted aspects of this issue which touch upon patient care, challenges to the pharmacy small business community, and the customers and patients it serves in the communities across the state.